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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON REGIONAL OFFICE
FIFTH FLOOR
803 WEST BROAD STREET
FALLS CHURCH, VIRGINIA 22046

JUN 14 1971

The Superintendent
United States Naval Academy
Annapolis, Maryland 21402

Dear Sir

We have made a review of the practices and procedures applicable to the administration of certain payroll matters for selected civilian employees of the United States Naval Academy for the period December 14, 1969, through December 12, 1970. Our review, which was made using statistical sampling techniques, included an examination into the following specific areas

1. Granting of within-grade increases to General Schedule employees and step increases to Wage Board employees.
2. Coordination of Wage Board practices under the Coordinated Federal Wage System.
3. Retroactive salary payments made under the Federal Employees Salary Act of 1970 (Public Law 91-231).

Our review also included an evaluation of the system of internal controls, including internal audit, used by the Academy to assure that the pay actions discussed above were processed in accordance with applicable laws and regulations and that verification procedures assure detection and correction of errors. Our review did not include an examination into the computation of biweekly salary payments, leave, travel, or other costs.

We found that, generally, the administration of those areas of civilian pay which we examined was satisfactory. In addition, we believe the system of internal controls in effect during the period of our review, except as noted below, assured that pay actions covered by our review were processed in accordance with applicable laws and regulations.

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We noted that only one internal audit had been made in the area of civilian pay in the past few years. This audit was limited in scope and did not include those areas covered by our review. Internal audit provides a check on the accuracy of the work done and is an added safeguard against misappropriation of funds. In this regard, the Accounting and Auditing Act of 1950 provides, in part, that:

"***the head of each executive agency shall establish and maintain systems of accounting and internal control designed to provide--
*** effective control over and accountability for all funds, property, and other assets for which the agency is responsible, including appropriate internal audit; ***."

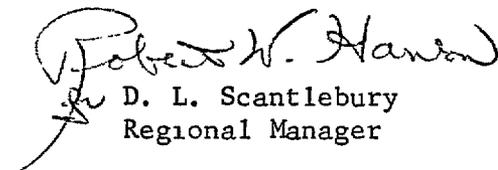
We did not find any indication that adverse effects had occurred as a result of this weakness in internal control. In fact, the work of the Civilian Payroll Office is accurate and reliable. However, we consider it unwise to let weaknesses in internal controls exist even though no discernible adverse results have occurred.

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We wish to acknowledge the courtesies and cooperation extended to our representatives during the review.

Copies of this report are being sent to the Director, Naval Area Audit Service, Falls Church, Virginia, and the Commander, Navy Accounting and Finance Center, Washington, D.C.

Sincerely yours,


D. L. Scantlebury
Regional Manager